



CITY OF SOMERVILLE, MASSACHUSETTS
MAYOR'S OFFICE OF STRATEGIC PLANNING & COMMUNITY DEVELOPMENT
JOSEPH A. CURTATONE
MAYOR

MICHAEL F. GLAVIN
EXECUTIVE DIRECTOR

STAFF REPORT TO THE SOMERVILLE REDEVELOPMENT AUTHORITY

To: Nancy Busnach, Chair
Iwona Bonney, Secretary
Jim McCarthy, Treasurer
Michael Dwyer
William Gage

From: Edward C. O'Donnell, Director of Economic Development
Mayor's Office of Strategic Planning and Community Development

Amanda Maher, Economic Development Specialist
Mayor's Office of Strategic Planning and Community Development

Date: June 24, 2014

Re: Union Square Master Developer Recommendations

Since the Somerville Redevelopment Authority (SRA) released its Request for Qualifications (RFQ) for a Master Developer Partner in Union Square, the interest and participation by the development community has been extraordinary. The City of Somerville has sought to conduct the RFQ selection process in an entirely open and transparent manner. In January, the Civic Advisory Committee, consisting of 20 community members, local advocates and business owners, was established to hold public discussions and ensure community input on the identification of suggested finalists.

The CAC has worked diligently with the support of the Mayor's Office of Strategic Planning and Community Development (OSPCD) to assess the strengths and weaknesses of each of the developers that responded to the RFQ for Union Square through its comprehensive report from the CAC Chairman, dated April 28, 2014. On May 8, 2014, the SRA voted to accept the CAC's recommendation of four teams as finalists to be considered for selection. Additional information resulting from the CAC's most recent meetings on June 16 and June 23, 2014, will be provided to the SRA for your consideration at the next scheduled SRA meeting.

The Economic Development Division of OSPCD conducted an analysis of each of the four finalists selected by the SRA. Key qualifications reviewed include experience, financial capacity, design and master planning skills, and familiarity with adaptive reuse and historic rehabilitation, among others.



All four finalists are well-qualified, each with a unique set of experiences and abilities to successfully partner with the City in Union Square. Each of the finalists has conducted themselves in a thoroughly professional manner and their interest in Somerville has been both genuine and greatly appreciated. Each of the four teams would be welcome in Somerville should they choose to pursue further opportunities here in the City.

Nevertheless, discernible differences exist among the four teams and it is those differences that form the basis of the staff's final analysis and report. It is the strongly held opinion of the professional OSPCD staff that among the four teams, two have risen to the level needed to warrant our recommendation. The staff recommendation is that the members of the SRA Board of Directors consider for tentative designation as the Master Developer of the seven Union Square Disposition Blocks one of the two following firms:

- Gerding Edlen Development of Portland, OR
- Union Square Station Associates of Chicago, IL

In alphabetical order, here are the four teams and our analysis:

Abbey Group

While the Abbey Group's presentation to the SRA did not rise to the level of the other finalists, their ideas for Union Square were well conceived. Concepts such as an "ecodistrict" and an "arts district" were attractive, along with their commitment to create multi-floor retail, service and maker space. Abbey also showed a depth of understanding of the healthcare and wellness industry. Their overall approach, qualifications and experience showed that they deserved a place among the four finalists.

At the same time, although the Abbey Group's Landmark Center project was a major success for the company, it was clear that Abbey had not been called upon to serve in a master developer capacity in either the Fenway or Downtown Crossing. Moreover, although it spoke well of the company that they successfully shepherded their 45 Province Street project through difficult times, Province Street's ultra-high-end approach and lack of on-site affordable housing did not reflect the community's vision for Union Square. Finally, the rehabilitation of an existing Green Line station at the Landmark Center by the MBTA was not viewed as germane in comparison to the current Green Line Extension project.

Federal Realty Investment Trust (FRIT)/National Development

The long-standing relationship between FRIT and the City of Somerville has been exceptionally positive for the city, and a number of factors weigh in their favor in the selection process. FRIT is well financed, has worked closely with the MBTA, and is well skilled in creating a sense of place in all their projects. The Bethesda Row project attracted significant office and other commercial uses to the immediate area. In addition, Bethesda Row was a very good example of not only a variety of architectural styles but also FRIT's ability to integrate local and national tenants, all with a public transit system next door.

Conversely, there was concern about FRIT's stated approach that residential and retail would be the necessary first steps in the enhancement of Union Square. For all of the success of Assembly Row, concerns remained as to FRIT's ability to develop new buildings of scale in immediate proximity to existing historic buildings, all in a dense urban environment. At the same time, not much was heard about FRIT's partner in this proposal, National Development, which is a very capable mixed-use developer active in such locales as the Longwood Medical Area. We wish we had heard more about National's participation in this project. Finally the lengthy relationship between the City and FRIT is undoubtedly an asset, though some community members cautioned about an "all the eggs in one basket" approach, a thought shared by FRIT in one of its early public presentations. A diverse, "freaky and funky" area such

as Union Square requires a greater diversity of approaches to redevelopment. We sincerely thank the FRIT/National team for a great effort. We hope to see more of National Development in Somerville and we look forward to continuing a long and mutually productive relationship with FRIT for years to come.

Gerding Edlen

For a team that was criticized for their lack of passion in the presentations during the due diligence effort, Gerding Edlen's development experience and approach seem to have generated the greatest amount of passion among their supporters here in Somerville. Gerding's approach to embracing the practice of adaptive reuse of historic buildings is absolutely first class; their reuse of the Portland Armory could bode well for the former Post Office site. In Portland, Gerding Edlen showed us the transformation of a former warehouse facility into the headquarters building of an international advertising firm. In the South Waterfront District, a major new transformative development along the Willamette River, Gerding Edlen managed the development of a large-scale medical research and wellness facility. The much praised Brewery Blocks project comprises an area that is defined by a public transit system. The company's commitment to sustainability and willingness to invest in truly innovative energy solutions was unparalleled among the four teams. Oregon's public review and approval process was described to us as being a more thorough, more intensive, and more rigorous approach than any other process in the nation. Senior public officials in Portland endorsed Gerding Edlen's patient and inclusive approach to that process as a major part of the company's success. Gerding Edlen's development team is excellent and benefits from being led by John Lannon of the architectural firm of ADD Inc., who is a long-time Somerville resident.

The delegation came to Portland with the reasonable expectation that Gerding Edlen would speak to the innovation economy, the maker movement and the retention of small businesses. Yet questions remain about how Gerding would approach this segment of the economy. They were also the only team that did not fully commit to having an everyday presence in Somerville at the outset of the development team, a failing for which they were taken to task.

Nonetheless, we are confident in Gerding Edlen's experience and approach, and the firm is certainly worthy of the staff's recommendation.

Union Square Station Associates (US2)

At the outset of this process in January, US2 was the biggest unknown among the nine respondents. Since that time, US2 has been notable for their presence and their outreach efforts to local businesses and those living in the Union Square area. While concerns have been raised about the large metropolitan scale and scope of some of the projects completed by the principals of US2, we have found that the size and scope of those projects increased our appreciation of their ability to undertake and complete substantial infrastructure projects and create wonderful green space in a very dense urban environment. US2's principals are well capitalized and they repeatedly stressed their willingness to expend their own funds in the pre-development period and in order to bridge shortfalls in difficult economic periods.

US2 was by far the most definitive in their plans for an "early activation" strategy that would help draw people to Union Square and brand the area as a place with both amenities and entrepreneurs. They spoke of already having conversations with organizations like Somerville-based Greentown Labs and MassChallenge, proposed opening a Workbar satellite location and talked of building creative areas that offer spaces from "incubator to incorporated".

University Village showed the adaptive re-use and transformation of the historic Maxwell Street neighborhood into a vibrant community, with a heavy emphasis upon local retail and mixed-income housing. US2's creative use of a "soft second mortgage" program was successful in helping middle income people not only purchase their home but in providing for increased forgiveness of the loan based upon the owner's length of residence in that home.

US2 is certainly not a locally based firm, but their roster of development professionals is experienced. With regard to local representation, US2 representatives stated that they would locate a full time project manager in the Somerville market and a principal in the partnership would establish a residence in the area. The team has shown an absolute eagerness to embrace the Union Square opportunity, and the firm is certainly worthy of the staff's recommendation.

SUMMARY

The staff offers its recommendation of both Gerding Edlen and Union Square Station Associates (US2) to the SRA Board for its consideration in selecting a Master Developer Partner for the enhancement of Union Square.

